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Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 L-03 H-01 PA-01 AGRE-00 NEA-10 IO-13 /117 W
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R 080738Z AUG 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 9730

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FOR NAC AGENCIES

EO 11652:N/A
TAGS: EAID, EFIN, ADB, VN
SUBJECT: PROPOSED REACTIVITATION OF ADB LOAN FOR BINH
- DINH IRRIGATION PROJECT (VIETNAM)

1. SUMMARY: THE PROJECT CONSISTED OF THE REHABILITATION AND IMPROVEMENT OF EXISTING IRRIGATION FACILITIES IN THE BINH DINH (NOW NGHIA BINH) PROVINCE. AT THE TIME OF APPRAISAL IN OCTOBER 1971, THE PROJECT WAS DESIGNED TO INTEGRATE THE EXISTING FRAGMENTARY IRRIGATION SYSTEMS OF APPROXIMATELY 8,500 HA. OF IRRIGABLE LAND FOR YEAR-ROUND IRRIGATION. THE MAJOR WORKS INCLUDED: (I) CONSTRUCTION OF TWO NEW DIVERSION WEIRS (THANH HOA WEIR AND THACH DE WEIR); (II) INSTALLATION OF TWO NEW PUMPING STATIONS (BAY YEN AND BINH THANH STATIONS); (III) CONSTRUCTION AND IMPROVEMENT OF IRRIGATION CANALS INCLUDING FIVE INTAKE STRUCTURES ALONG SONG GO CHAM, DRAINAGE FACILITIES AND ACCESS ROADS; AND (IV) CONSULTING SERVICES TO ASSIST AND TRAIN GOVERNMENT STAFF. ACCORDING TO BANK DOCUMENT THERE
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ARE NO PLANS TO ESTABLISH NEW ECONOMIC ZONES OR STATE FARMS IN PROJECT AREA. BANK CONSIDERS THIS PROJECT TECHNICALLY AND ECONOMICALLY SOUND. END SUMMARY.

2. ADB DOC. R69-78 WITH ATTACHMENTS POUCHED ADDRESSEES AUGUST 4. PROPOSED REACTIVATION SCHEDULED FOR ADB BOARD CONSIDERATION ON AUGUST 24.

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3. AFTER BANK REVIEW MISSION VISITED VIETNAM IN JUNE 1974, THE FOLLOWING CHANGES IN THE SCOPE AND IMPLEMENTATION OF THE PROJECT WERE SUGGESTED AND APPROVED: (A) REDUCTION OF PROJECT AREA FROM THE ORIGINAL 8,500 HA. TO 8,100 HA. AFTER DETAILED SURVEY OF TOPOGRAPHY AND AVAILABILITY OF WATER RESOURCES; (B) CONSTRUCTION OF AN ADDITIONAL DIVERSION WEIR TO IMPROVE THE DISTRIBUTION OF WATER IN THE LOWER PORTION AND AN ADDITIONAL PUMPING STATION TO IRRIGAT HIGH LAND; AND (C) PROVISION OF AN OPTION TO LOCAL CONTRACTORS TO PROVIDE THEIR OWN EQUIPMENT FOR CONSTRUCTION IF THEY SO DESIRED, INSTEAD OF HIRING EQUIPMENT FROM THE VIETNAM ENGINEERING AND CONSTRUCTION COMPANY (VECCO). THE ADB MISSION CONFIRMED THAT THE ABOVE CHANGES WILL REMAIN SUBSTANTIALLY THE SAME EXCEPT (C) ABOVE, WHICH IS NO LONGER APPLICABLE DUE TO CHANGE OF THE ORGANIZATIONAL ARRANGEMENT FOR PROJECT IMPLEMENTATION.

4. THE BANK LOAN BECAME EFFECTIVE ON 20 JUNE 1972. THE CONSULTANTS (NIPPON KOEI CO., LTD., JAPAN) STARTED WORK IN JULY 1973 AND COMPLETED SUBSTANTIALLY THE DETAILED DESIGNS AND TENDER DOCUMENTS AT THE TIME OF SUSPENSION OF THE LOAN ON 26 APRIL 1975. SEVEN VEHICLES WERE PROCURED IN 1974 UNDER THE LOAN. TENDERS FOR PUMPING EQUIPMENT AND GATES WERE TO BE OPENED ON 10 MARCH 1975. THE BANK APPROVED AWARDS OF CONTRACT FOR CONSTRUCTION MATERIALS, LIMITED OFFICIAL USE

CONSTRUCTION EQUIPMENT AND OPERATION AND MAINTENANCE EQUIPMENT IN MARCH 1975 BUT NO PROCUREMENT HAD TAKEN PLACE. THE GOVERNMENT AGREED THAT THESE TENDERS BE CANCELLED BECAUSE COMPLETE DOCUMENTS ARE NOT AVAILABLE, THE REQUIRED GOODS HAVE BEEN LARGELY CHANGED AND THE COSTS ARE NO LONGER VALID. THE SEVEN VEHICLES CANNOT BE LOCATED AND DETAILED DESIGNS AND TENDER DOCUMENTS PREPARED BY THE CONSULTANTS ARE NOT AVAILABLE, EXCEPT FOR A GENERAL MAP OF THE PROJECT.

5. THE PROJECT WILL BE CARRIED OUT BY A PROJECT OFFICE TO BE SET UP BY THE PROVINCIAL IRRIGATION OFFICE UNDER THE OVERALL SUPERVISION OF THE MINISTRY OF WATER CONSERVANCY (MWC). A SMALL PART OF REHABILITATION WORK HAS BEEN STARTED MAINLY BY THE PROVINCIAL IRRIGATION OFFICE USING MANUAL LABOR, BUT NO MAJOR CONSTRUCTION WORKS HAVE STARTED.

6. THE REVISED TOTAL COST OF THE BINH DINH PROJECT IS ESTIMATED AT DOLLARS 18 MILLION OF WHICH DOLLARS 2.5 MILLION IS THE FOREIGN EXCHANGE COMPONENT. THE COSTS HAVE BEEN CALCULATED ON THE BASIS OF ESTIMATED CONSTRUCTIO

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VOLUMES USING PREVAILING UNIT PRICES FOR SIMILAR TYPES OF WORK UNDER THE MWC. COST ESTIMATES OF IMPORTED GOODS ARE BASED ON INTERNATIONAL PRICES PREVAILING AS OF JUNE 1978. THE ORIGINAL COST ESTIMATES AT THE TIME OF APPRAISAL IN NOVEMBER 1971 AND THE REVISED COST ESTIMATES AS OF JUNE 1978 ARE SHOWN IN THE FOLLOWING TABLE. ALTHOUGH ACCURATE COMPARISON IS NOT POSSIBLE DUE TO MAJOR CHANGES IN CURRENCY VALUES, THE GOVERNMENT AND THE BANK CONSIDER THE REVISED COST ESTIMATES TO BE REASONABLE.

- ORIGINAL AND REVISED COST ESTIMATES
- BINH DINH PROJECT

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SVC-00 NEA-10 IO-13 AID-05
CIAE-00 COME-00 EB-08 FRB-03 INR-10 NSAE-00
ICA-11 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-07 CEA-01 L-03 H-01 PA-01 AGR-01
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R 080738Z AUG 78
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C O R R E C T E D C O P Y (TEXT)

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- (DOLS '000)

ITEM	ORIGINAL (AUG. 1971)		
-	LOCAL	FOREIGN	TOTAL
1. CIVIL WORKS	2,705	-	2,705
2. EQUIPMENT	-	332	332
3. CONSTRUCTION			

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- MATERIALS - 1,205 1,205

4. CONSULTING SERVICES 104 543 647

5. CONTINGENCIES 691 420 1,111

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- TOTAL 3,500 2,500 6,000

1. CIVIL
ITEM REVISED (JUNE 1978)
- LOCAL FOREIGN TOTAL

1. CIVIL WORKS 14,107 - 14,107

2. EQUIPMENT - 1,840 1,840

3. CONSTRUCTION
- MATERIALS - 190 190

4. CONSULTING SERVICES - 333 333

5. CONTINGENCIES 1,393 137 1,530

- TOTAL 15,500 2,500 18,000

7. UNDER THE PROJECT ABOUT 8,100 HA. WILL BE IRRIGATED. ACCORDING TO BANK, ASSURED AND PERENNIAL IRRIGATION WOULD ENABLE FARMERS TO BENEFIT FROM TWO SUCCESSIVE CROPS OF HYV PADDY IN THE ENTIRE AREA, AND SECONDARY CROPS OVER HALF THE AREA IN THE THIRD SEASON. THE ADB MISSION CALCULATED THAT BOTH YIELD OF PADDY AND CROPPING INTENSITY ARE LOWER THAN ESTIMATED AT THE TIME OF APPRAISAL. THE CROPPING INTENSITY WILL BE 250 PERCENT COMPARED WITH 300 PERCENT AS ORIGINALLY ENVISAGED AND 200 PERCENT WITHOUT THE PROJECT. AFTER PROJECT COMPLETION, PADDY YIELDS COULD RISE TO 4.5 TONS PER HA., COMPARED WITH 5.0 TONS PER HA. AS ORIGINALLY PROJECTED AND 3.5 TONS PER HA. WITHOUT THE PROJECT. THE PROJECT COST HAS TRIPLED; HOWEVER, THE PRICE OF RICE HAS MORE THAN TRIPLED. CONSTRUC-
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TION PERIOD AND GESTATION PERIOD HAVE BEEN SHORTENED AND PROJECT LIFE ENLARGED. AS A RESULT, THE ECONOMIC INTERNAL RATE OF RETURN (EIRR) WORKS OUT TO 24 PERCENT COMPARED

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WITH 21.1 PERCENT ESTIMATED AT THE TIME OF APPRAISAL IN 1971.

8. THE FOLLOWING INFORMATION PERTAINS TO THE BINH DINH IRRIGATION AS WELL AS THE GO CONG PIONEER AGRICULTURAL PROJECT AND TAN AN INTEGRATED AGRICULTURAL PROJECT.

9. AGRICULTURE IS THE MOST IMPORTANT ECONOMIC SECTOR IN VIETNAM BOTH IN RESPECT OF ITS CONTRIBUTION TO THE NATIONAL INCOME AND THE POPULATION ENGAGED IN AGRICULTURAL ACTIVITIES. IT IS ESTIMATED THAT ABOUT 70 PERCENT OUT OF THE TOTAL POPULATION OF 47 MILLION DERIVES ITS LIVELIHOOD FROM THIS SECTOR WHICH ACCOUNTS FOR 544ERCENT OF THE COUNTRY'S NATIONAL INCOME. AGRICULTURE INFRASTRUCTURE AND PRODUCTION HAVE BEEN DAMAGED, ESPECIALLY IN THE SOUTHERN PART OF THE COUNTRY AS A RESULT OF THREE DECADES OF WAR. WHILE NORMALCY HAS BEEN LARGELY RESTORED IN THE NORTH, EXTENSIVE REHABILITATION OF PRODUCTION AND INFRA-STRUCTURE WILL BE NEEDED IN THE SOUTH. THE GOVERNMENT IS MAKING EFFORTS TO REBUILD AND EXPAND THE AGRICULTURAL SECTOR AND TO UNIFY THE ECONOMY OF THE SOUTH AND THE NORTH.

10. AGRICULTURE IN VIETNAM IS HIGHLY LABOR INTENSIVE. THIS IS SO BECAUSE, FIRST, THERE IS GREAT PRESSURE OF POPULATION ON LAND; SECONDLY, THE NUMBER OF CATTLE FOR WORK IS INADEQUATE, AND THIRD, THERE IS A LACK OF FARM MACHINES. WITH THE PREVAILING LEVEL OF UNEMPLOYMENT AND THE PRESENT RATE OF POPULATION GROWTH, LABOR INTENSIVE METHODS OF PRODUCTION ARE LIKELY TO CONTINUE. AGRICULTURE WILL CONTINUE TO BE THE MAJOR SOURCE OF EMPLOYMENT FOR THE SURPLUS LABOR FORCE IN THE FUTURE.

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11. THE GOVERNMENT HAS ORGANIZED A NUMBER OF RURAL SETTLEMENTS KNOWN AS NEW ECONOMIC ZONES AND STATE FARMS TO PROVIDE WORK FOR THE LARGE NUMBER OF WAR DISPLACED FARM FAMILIES AND URBAN UNEMPLOYED. THESE SETTLEMENTS ARE LOCATED IN FARM LANDS ABANDONED DURING THE WAR OR IN LARGE

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INFO OCT-01 EA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
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FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04
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TRACTS OF CULTIVABLE WASTE LAND. THE SETTLEMENTS GENERALLY HAVE 4,000-5,000 HA. EACH FOR ABOUT 1,000-2,000 FAMILIES. IN THE NEW ECONOMIC ZONES, THE GOVERNMENT INTENDS TO ORGANIZE FARMING COOPERATIVES AND RURAL INDUSTRIES WHILE THE SETTLERS WILL BE EMPLOYED ON WAGES IN THE STATE FARMS. THERE ARE NO PLANS TO ESTABLISH NEW ECONOMIC ZONES OR STATE FARMS IN THE PROJECT AREAS.

12. THE EXECUTING AGENCY FOR THE BINH DINH PROJECT WAS THE DIRECTORATE OF IRRIGATION AND RURAL ENGINEERING (DIRE) WHICH WAS UPGRADED IN JULY 1974 TO THE DIRECTORATE GENERAL OF IRRIGATION (DGI). THE DGI WAS ALSO THE EXECUTING AGENCY FOR THE TAN AN PROJECT.

13. FOLLOWING THE UNIFICATION OF VIETNAM, THE MINISTRY OF WATER CONSERVANCY (MWC) HAS REPLACED DGI AS THE PRINCIPAL EXECUTING AGENCY FOR THE THREE PROJECTS. MWC WILL, HOWEVER, DELEGATE THE EXECUTION OF DAY-TO-DAY WORK TO PROJECT OFFICES TO BE ESTABLISHED UNDER THE RESPECTIVE LIMITED OFFICIAL USE

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PROVINCIAL IRRIGATION OFFICES. THE PROJECT OFFICES WILL BE ADEQUATELY STAFFED WITH PERSONNEL HAVING SUITABLE QUALIFICATIONS AND EXPERIENCE AND WILL BE UNDER THE SUPERVISION OF COMPETENT AND QUALIFIED PROJECT MANAGERS. MWC WILL INFORM THE BANK OF THE NAMES OF PROJECT MANAGERS OF THE PROJECT AS SOON AS THEY ARE APPOINTED, AND KEEP THE BANK INFORMED ABOUT ANY CHANGES THEREAFTER.

14. A CONSTRUCTION COMMITTEE WILL BE SET UP FOR EACH

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PROJECT TO ASSIST THE PROJECT OFFICE IN THE IMPLEMENTATION OF EACH PROJECT. THE CONSTRUCTION COMMITTEE WILL BE A TECHNICAL BODY CONSISTING OF FOUR ENGINEERS AND WILL SCRUTINIZE AND APPROVE THE INDENTS PREPARED BY THE PROJECT OFFICE FOR MATERIALS, MACHINERY AND EQUIPMENT AND FOR MONITORING THE PROGRESS OF THE PROJECT.

15. IN ORDER TO EXPEDITE PROCUREMENT OF EQUIPMENT UNDER THE THREE PROJECTS, THE GOVERNMENT HAS REQUESTED THE BANK FOR TECHNICAL ASSISTANCE FOR THE PREPARATION OF DETAILED DESIGNS AND TENDER DOCUMENTS WHICH WERE LOST AND IN FINALIZING AND ISSUING THEM FOR INTERNATIONAL COMPETITIVE BIDDING WITHIN THE SHORTEST PERIOD OF TIME. SINCE THE GOVERNMENT IS NOT SUFFICIENTLY FAMILIAR WITH THE BANK'S PROCEDURES FOR PROCUREMENT AS WELL AS FOR CONSULTANT SELECTION, THE ADB MISSION CONSIDERS THAT THE TECHNICAL ASSISTANCE IS NECESSARY TO HELP EXPEDITE THE PROCEDURES AND BUILD UP THE INSTITUTIONAL CAPACITY OF TECHNOIMPORT (THE AGENCY RESPONSIBLE FOR PROCUREMENT). FOR THIS PURPOSE, IT IS PROPOSED THAT TWO CONSULTANTS (AN EQUIPMENT EXPERT AND AN IRRIGATION ENGINEER) BE RECRUITED FOR TWO MONTHS FROM THE FIRM OF NIPPON KOEI WHICH WAS PREVIOUSLY ENGAGED FOR THE BINH DINH PROJECT AND HAS IN ITS POSSESSION ORIGINAL DETAILED DESIGNS AND
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TENDER DOCUMENTS. SINCE THE TENDER DOCUMENTS FOR EQUIPMENT FOR THE GO CONG PROJECT AND THE TAN AN PROJECT ARE SIMILAR TO THOSE FOR THE BINH DINH PROJECT, THE CONSULTANTS WILL CARRY OUT THE WORK FOR ALL THREE PROJECTS. THE CONSULTANTS WILL BE IN THE FIELD IMMEDIATELY AFTER THE REACTIVATION OF THE PROJECTS. EDMOND

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TAGS: EAID, EFIN, VN, ADB
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